

**COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS (CDFI) FUND**



**CONGRESSIONAL BUDGET**

**Performance Plan and Performance Report Submission**

**FY 2002**

**COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND  
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<b>STRATEGIC CONTEXT FOR THE FY 2002 BUDGET/PERFORMANCE PLAN</b>
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This document presents justification of the FY 2002 budget by demonstrating how funding enables achievement of the strategic plan goals of the Community Development Financial Institutions (CDFI) Fund, and how achievement of those goals is ascertained through performance goals, measures, and performance reports.

Mission

The mission of the Community Development Financial Institutions (CDFI) Fund is to promote access to capital and local economic growth by directly investing in and supporting community development financial institutions (CDFIs) and by expanding financial service organizations' lending, investment, and services within underserved markets.

Key Strategic Issues

The key strategic issue facing the CDFI Fund is increasing access to capital and financial services provided by financial institutions to economically distressed communities and underserved markets. Although this budget request reflects a significant reduction from the FY 2001 funding level, the CDFI Fund will continue to partner with entities in the financial industry to create jobs, develop affordable housing and revitalize communities in underserved markets. Additionally, through the New Markets Tax Credits Program, the CDFI Fund will expand business investment incentives through qualified community development entities (CDEs) serving low-income communities through economic revitalization activities.

Key Strategic Impacts

The CDFI Fund's strategic plan for Fiscal Years 2000 – 2005, as amended in FY 2001, provides a roadmap for cultivating and assisting the creation and expansion of the community development finance industry. The plan identifies three programmatic goals: (i) strengthen and expand the financial capacity of CDFIs; (ii) strengthen the organizational capacity and expertise of CDFIs to better serve their communities; and (iii) expand financial service organizations' community development lending and investments. With the advent of the New Markets Tax Credits Program, the Fund has identified a fourth goal: allocate tax credits to CDEs for the purpose of increasing business investment in low-income communities.

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In addition, during FY 2000 the Fund's goal relating to microenterprise development was inactive. Microenterprise awards were non-monetary and provided visibility and recognition to those organizations that demonstrated excellence and leadership in promoting microenterprise development. The FY 1999 application round represented the most recent microenterprise awards recognized.

**DIGEST OF FISCAL YEAR 2002 BUDGET ESTIMATES BY BUDGET ACTIVITY****(Dollars in Thousands)**

<b>All Sources and Uses of Funds By Budget Activity</b>	<b>FY 2000 Actuals</b>	<b>FY 2001 Enacted</b>	<b>FY 2002 Request</b>	<b>FY 2002 Increases or Decreases</b>
<b>Source of Funds</b>				
Appropriation (CDFI)	\$ 95,000	\$ 118,000	\$ 67,948	\$ (50,052)
APIC Funding Transfer from HUD	20,000	0	0	0
FY 2001 Rescission (P.L. 106-554)	0	(260)	0	260
Loan Subsidy Re-estimate	543	0	0	0
Carry Over From Previous Year	9,041	110	0	(110)
<b>Total Funds Available</b>	<b>\$ 124,584</b>	<b>\$ 117,850</b>	<b>\$ 67,948</b>	<b>\$ (49,902)</b>
<b>Use of Funds</b>				
<b>Budget Activity</b>				
1. Investments in CDFIs	\$ 70,437	\$ 65,782	\$ 39,869	\$ (25,913)
2. Capacity & Expertise of CDFIs	7,539	19,098	8,538	(10,560)
3. FSOs' Lending and Investment	46,498	32,018	18,267	(13,751)
4. New Markets Tax Credits Program	0	952	1,274	322
<b>Total Use of Funds</b>	<b>\$ 124,474</b>	<b>\$ 117,850</b>	<b>\$ 67,948</b>	<b>\$ (49,902)</b>
<b>Source Minus Use of Funds (Carry Forward)</b>	<b>\$ 110</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>

**USE OF FUNDS CROSSWALK FROM CDFI AWARD PROGRAMS TO BUDGET ACTIVITIES****(Dollars in Thousands)**

<b>Uses of Funds</b>	<b>FY 2000 Actuals</b>	<b>FY 2001 Enacted</b>	<b>FY 2002 Request</b>	<b>FY 2002 Increases or Decreases</b>
Budget Activity 1: Investments in CDFIs				
CDFI Program	\$ 66,770	\$ 61,573	\$ 36,335	\$ (25,238)
Program Management and Administration	<u>3,667</u>	<u>4,209</u>	<u>3,534</u>	<u>(675)</u>
Subtotal	70,437	65,782	39,869	(25,913)
Budget Activity 2: Capacity & Expertise				
Training and T/A Programs	3,645	15,677	5,600	(10,077)
CDFI Program Technical Assistance	992	1,000	565	(435)
Program Management and Administration	<u>2,902</u>	<u>2,421</u>	<u>2,373</u>	<u>(48)</u>
Subtotal	7,539	19,098	8,538	(10,560)
Budget Activity 3: FSOs' Lending & Investments				
BEA Program	44,817	30,000	16,500	(13,500)
Program Management and Administration	<u>1,681</u>	<u>2,018</u>	<u>1,767</u>	<u>(251)</u>
Subtotal	46,498	32,018	18,267	(13,751)
Total, Budget Activity 4: New Markets Tax Credits (program mgmt. and admin. only)	0	952	1,274	322
<b>Total Use of Funds</b>	<b>\$ 124,474</b>	<b>\$ 117,850</b>	<b>\$ 67,948</b>	<b>\$ (49,902)</b>

## SUMMARY EXPLANATIONS OF FISCAL YEAR 2002 BUDGET REQUEST CHANGES, BY ACTIVITY

In FY 2002, funding requirements for the Community Development Financial Institutions (CDFI) Fund are \$67,948,000. This total reflects a net decrease of \$49,902,000 from the FY 2001 enacted funding level of \$118,000,000, offset by other funding adjustments. The FY 2002 request reflects staffing support at the FY 2001 level of 66 FTE.

### FY 2002 PROGRAM CHANGES

**Total Requested Program Changes .....- \$49,902,000 / 0 FTE**

Although the total requested changes reflect a significant decrease to FY 2001 enacted funding levels, the CDFI Fund will continue to execute its mission of promoting access to capital and local economic growth by investing in and supporting community development financial institutions (CDFIs) and expanding opportunities through financial service organizations in underserved markets. In budget activities one, two, and three, the decrease in total budget authority for the CDFI Fund will result in a total reduction in funding available for program awards. These reductions are offset by a slight increase to support administrative related costs for budget activity four.

1. Investment in CDFIs ..... - \$25,913,000 / 0 FTE

The total reduction for this Budget Activity includes a decrease of \$25,238,000 in program award activities and \$675,000 in administrative activities due to administrative savings. Although funding has been reduced, staff support will remain constant to ensure thorough reviews and analyses of the award selection processes because the number of applications for funding will remain the same and/or increase. The administrative funding reduction will be realized through productivity savings, such as implementation of the CDFI Fund's Electronic Resource Information Center (ERIC). This electronic database management system, consistent with the Federal Financial Assistance Management Improvement Act of 1999, P.L. 106-107, permits, among other things, electronic submission of program award applications.

2. Capacity and Expertise of CDFIs ..... - \$10,560,000 / 0 FTE

The total reduction for this Budget Activity includes a decrease of \$10,512,000 in program award activities and \$48,000 in administrative activities. This Budget Activity represents funding for the Small and Emerging CDFI Assistance (SECA) and Native American Training and Technical



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Assistance Components of the CDFI Program, both of which provide training and technical assistance to existing CDFIs and CDFIs in formation, seeking to establish and/or expand their financial services capabilities to better serve their target markets.

3. Financial Services Organizations' Lending and Investments ..... -\$13,751,000 / 0 FTE

The total reduction for this Budget Activity includes a decrease of \$13,500,000 in program award activities and \$251,000 in administrative activities due to administrative savings. Although funding has been reduced, staff support will remain level to ensure thorough reviews and analyses of the award selection processes. It is anticipated that the demand for these programs will not diminish, making due diligence reviews even more critical for potential grant awards. The administrative funding reduction will be realized through productivity savings through improved information technology.

4. New Markets Tax Credits ..... \$322,000 / 0 FTE

The total requested for this Budget Activity includes an increase of \$322,000 in administrative activities. The New Markets Tax Credits Program consists of the allocation of tax credits to qualified community development entities (CDEs). Because the New Markets Tax Credits Program does not require the award of program funds, but rather an allocation of tax credits, all costs associated with the development, implementation and monitoring of this budget activity are administrative in nature. Although start-up costs were initiated during FY 2001, the CDFI Fund did not realize a full year of costs for administrative support. The proposed funding increase, therefore, will provide funding support for full-year salaries and all other administrative start-up and one-time costs related to administering this tax credit program.

**OTHER CHANGES**

**Total Requested Other Changes ..... +\$310,000 / 0 FTE**

Other Changes include adjustments necessary to maintain current levels (MCLs) and any other adjustments that may be required. They are as follows:

1. Adjustments necessary to maintain current levels ..... +\$310,000 / 0 FTE

<b>BUDGET AUTHORITY, FTE, AND PERFORMANCE INFORMATION BY BUDGET ACTIVITY</b>
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**BUDGET ACTIVITY 1: INVESTMENTS IN CDFIs**

This budget activity uses limited Federal resources to invest in and build the capacity of private, for-profit and non-profit community-based financial institutions to address community development finance needs. The Fund makes financial investments in community development financial institutions (CDFIs), in the form of equity investments, loans, capital grants, deposits and share purchases. The form of financial assistance depends on the individual needs of a CDFI as reflected in its business plan and its ability to raise private matching funds comparable in form and value to the Fund's assistance.

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CDFI Fund Performance Measures	FY 1998 Performance	FY 1999 Performance	FY 2000		FY 2001 Final Target	FY 2002 Proposed Target
			Target	Performance		
<b>Budget Authority (\$000s)</b>	\$44,386	\$74,864	\$61,463	\$70,437	\$65,782	\$39,869
<b>Direct FTE (based on percentage of staff time)</b>	N/A	22	24	24	26	26
<b>Performance Goal A:</b> Increase participation in the Fund's CDFI Program to facilitate local economic growth.						
<b>Performance Measures:</b>						
1. Number of certified CDFIs as of year-end.	262	334	N/A	415	450	500
<b>Performance Goal B:</b> Increase private sector investment in CDFIs.						
<b>Performance Measures:</b>						
1. Number of CDFIs receiving financial assistance awards.	42	60	63	77	58	41
2. Non-Federal matching funds raised by CDFIs during the year (\$ millions).	N/A	N/A	\$55	\$52	\$55	\$60
<b>Performance Goal C:</b> Increase diversity of CDFI awardees.						
<b>Performance Measure:</b>						
1. Number of states/territories (and District of Columbia) to date with at least one CDFI program awardee.	44	49	51	52	53	53

<b>Workload and other Non-Performance Statistics</b>						
<b>CDFI Fund Performance Statistics</b>	<b>FY 1998 Actual Workload</b>	<b>FY 1999 Actual Workload</b>	<b>FY 2000</b>		<b>FY 2001 Expected Workload</b>	<b>FY 2002 Expected Workload</b>
			<b>Expected Workload</b>	<b>Actual Workload</b>		
1. Number of CDFI Program applications (Core, Intermediary, and SECA –financial assistance only).	N/A	N/A	N/A	167	150	150
2. Dollar amount of CDFI Program applications (Core, Intermediary, and SECA –financial assistance only). (\$ millions)	N/A	N/A	N/A	\$246	\$223	\$265
3. Number of workshops conducted to apprise Core and Intermediary applicants of program requirements. * - includes one distance-learning broadcast reaching 80+ sites in 50 states.	13	19	N/A	12*	12*	12*

## BUDGET ACTIVITY 2: CAPACITY AND EXPERTISE OF CDFIs

This budget activity covers the Fund’s activities relating to its training program, the Technical Assistance Component of the CDFI Program (which in FY 2001 was replaced by the new Small and Emerging CDFI Assistance Component of the CDFI Program, as explained below) and training activities and technical assistance grants relating to the new SECA Component, and the new Native American Training and Technical Assistance Component. Training and technical assistance are designed to enhance the capacity of CDFIs and other members of the financial services industry to undertake community development and economic revitalization activities.

Through the Technical Assistance Component of the CDFI Program, begun in FY 1998, the Fund has provided grants to CDFIs and organizations that propose to become CDFIs, have organizational capacity needs, and demonstrate significant potential for generating community development impact.

Through the Training Program, begun in FY 1999, the Fund uses contractor support to conduct a training needs assessment for CDFIs and other members of the financial services industry. Based on the needs assessment, the Fund develops training services that will focus on training in

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organizational development, lending and investment products, underwriting and servicing loans, managing equity investments, and providing development services targeted to areas of economic distress, low-income persons and persons who lack adequate access to loans and equity investments.

Two new programs implemented in FY 2001 are:

- Under the SECA Component of the CDFI Program, the Fund provides technical assistance and financial assistance awards to small and emerging CDFIs. Small and emerging CDFIs are organizations with total assets of not more than \$5 million, which have never received a financial assistance award from the Fund. The intent of this program is to develop the capacity of smaller organizations by enabling them to obtain funding from the Fund without competing with larger organizations under the Fund's Core Component.
- The Native American Training and TA Component of the CDFI Program is designed to increase access to capital in Native American, Alaskan Native and Native Hawaiian communities and other lands held in trust by the Federal government. It is intended to help Tribes, lenders and Native organizations to create more CDFIs in Native communities and build capacity for them to provide financial services to their communities.

CDFI Fund Performance Measures	FY 1998 Performance	FY 1999 Performance	FY 2000		FY 2001 Final Target	FY 2002 Proposed Target
			Target	Performance		
Budget Authority (\$000s)	3,907	\$11,038	\$11,985	\$7,539	\$19,098	\$8,538
Direct FTE (based on percentage of staff time)	N/A	7	7	17	17	17
<b>Performance Goal A:</b> Increase the capacity and expertise of CDFIs. <b>Performance Measures:</b>						
1. Number of organizations that received technical assistance awards during the year *	70	88	80	87	80	40
2. Amount of technical assistance grants awarded during the year* (\$ millions)	\$3	\$4	N/A	\$4	\$10	\$5

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CDFI Fund Performance Measures	FY 1998 Performance	FY 1999 Performance	FY 2000		FY 2001 Final Target	FY 2002 Proposed Target
			Target	Performance		
3. Number of first-time awardees under the Technical Assistance and Small and Emerging CDFI Assistance Components.	N/A	N/A	N/A	49	40	20
* - includes T/A awards under the Core Component, and awards under the Technical Assistance Component prior to FY 2001, and the SECA component subsequent to FY 2000.						
<b>Performance Goal B:</b> Increase customer satisfaction						
<b>Performance Measures:</b>						
1. Customer Satisfaction Measure	N/A	N/A	N/A	N/A	N/A	TBD (Determine Baseline)
<b>Performance Goal C:</b> Increase employee satisfaction						
<b>Performance Measure:</b>						
1. Employee Satisfaction Measure.	N/A	N/A	N/A	N/A	N/A	TBD (Determine Baseline)

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Workload and other Non-Performance Statistics						
CDFI Fund Performance Statistics	FY 1998 Actual Workload	FY 1999 Actual Workload	FY 2000		FY 2001 Expected Workload	FY 2002 Expected Workload
			Expected Workload	Actual Workload		
1. Number of workshops conducted to apprise potential applicants of SECA and TA requirements.	N/A	N/A	N/A	6	13	10
2. Number of organizations that receive training in industry fundamentals by CDFI Fund training vendors.	N/A	N/A	N/A	N/A	100	80
3. Number of tribal, Alaska Native, and Native Hawaiian organizations receiving training which addresses barriers identified by the Native American Lending Study.	N/A	N/A	N/A	N/A	10	20
4. Number of tribal, Alaska Native, and Native Hawaiian organizations receiving TA awards.	N/A	N/A	N/A	N/A	0	20

\*amounts for FY 1998 through FY 2000 relate to the Fund's TA grants (prior to the SECA Component)

### BUDGET ACTIVITY 3: FINANCIAL SERVICE ORGANIZATIONS' LENDING AND INVESTMENT

This budget activity relates to the Bank Enterprise Award (BEA) Program, which provides financial incentives for insured depository institutions to increase their investments in CDFIs and to increase their lending and provision of financial services in distressed communities.

CDFI Fund Performance Measures	FY 1998 Performance	FY 1999 Performance	FY 2000		FY 2001 Final Target	FY 2002 Proposed Target
			Target	Performance		
<b>Budget Authority (\$000s)</b>	\$28,387	\$34,155	\$32,101	\$46,498	\$32,018	\$18,267
<b>Direct FTE (based on percentage of staff time)</b>	N/A	13	13	11	14	14
<b>Performance Goal A:</b> Increase direct lending, investment and services by depository institutions in distressed communities. <b>Performance Measure:</b>						
1. Increase in dollar amount of community development loans, investments and services in distressed communities by BEA applicants that submitted a final report (assessment period over baseline period) (\$ millions)	N/A	N/A	N/A	\$166	\$100	\$100
<b>Performance Goal B:</b> Increase depository support of CDFIs. <b>Performance Measures:</b>						
1. Amount of financial assistance provided to CDFIs by BEA applicants that submitted a final report (\$ millions)	N/A	N/A	N/A	\$244	\$275	\$200
2. Number of CDFIs receiving financial assistance by BEA applicants that submitted a final report.	N/A	N/A	N/A	165	185	150



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CDFI Fund Performance Measures	FY 1998 Performance	FY 1999 Performance	FY 2000		FY 2001 Final Target	FY 2002 Proposed Target
			Target	Performance		
3. Number of BEA applicants that submitted a final report that provided financial assistance to CDFIs	N/A	N/A	N/A	130	164	125

Workload and other Non-Performance Statistics						
Note: Diversity of financial service organizations participating in the BEA Program is shown in the Additional Information section of this plan.	FY 1998 Actual Workload	FY 1999 Actual Workload	FY 2000		FY 2001 Expected Workload	FY 2002 Expected Workload
			Expected Workload	Actual Workload		
1. Number of BEA applications.	104	138	N/A	229	239	200
2. Amount of BEA applications (\$ millions)	NA	N/A	N/A	\$110	\$130	\$100
3. Number of BEA awards.	79	103	N/A	159	164	130
4. Amount of BEA awards (\$ millions)	\$28	\$32	N/A	\$44.8	\$30	\$16.5

## BUDGET ACTIVITY 4: NEW MARKETS TAX CREDITS

This budget activity relates to a new program called the New Markets Tax Credits Program. The Community Renewal Act of 2000 authorized this program and the Miscellaneous Appropriations Act of 2001 increased CDFI's limitation on administration so that the Fund could administer the program. Because this program initiated as a result of Congressional action during the FY 2001 budget process, the Fund created a separate budget activity to facilitate accurate implementation and reporting activities. Under this program, the Fund will allocate tax credits to qualified community development entities (CDEs), which allocate the tax credits to investors; the proceeds of such investments must be used by the CDE to make qualified low-income community investments. The allocation of tax credits is to be provided by the Fund to CDEs by December 31<sup>st</sup> of each year.

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A CDE can be any domestic corporation or partnership with the following characteristics: 1) its primary mission is to serve or provide investment capital for low-income communities or low-income persons; 2) it maintains accountability to residents of low-income communities through community representation on a governing board; and 3) it is certified by the Fund as a CDE.

The intent of this program is to encourage investment in the CDEs, thereby increasing the amount of investments that CDEs make in low-income communities.

CDFI Fund Performance Measures	FY 1998 Performance	FY 1999 Performance	FY 2000		FY 2001 Final Target	FY 2002 Proposed Target
			Target	Performance		
<b>Budget Authority (\$000s)</b>	N/A	N/A	N/A	N/A	\$952	\$1,274
<b>Direct FTE (based on percentage of staff time)</b>	N/A	N/A	N/A	N/A	9	9
<b>Performance Goal:</b> Increase private sector investment in community development entities. <b>Performance Measures:</b>						
1. Dollar amount of private sector investments in CDEs resulting from NMTC Program.	N/A	N/A	N/A	N/A	Baseline	To Be Determined

<b>Workload and other Non-Performance Statistics</b>						
	<b>FY 1998 Actual Workload</b>	<b>FY 1999 Actual Workload</b>	<b>FY 2000</b>		<b>FY 2001 Expected Workload</b>	<b>FY 2002 Expected Workload</b>
			<b>Expected Workload</b>	<b>Actual Workload</b>		
1. Number of applicants under the NMTC Program.	N/A	N/A	N/A	N/A	Baseline	To Be Determined
2. Number of awardees under the NMTC Program.	N/A	N/A	N/A	N/A	Baseline	To Be Determined
3. Number of tax credit allocations	N/A	N/A	N/A	N/A	Baseline	To Be Determined
4. Amount of tax credit allocations (\$ millions)	N/A	N/A	N/A	N/A	Baseline	To Be Determined

**DETAIL OF FULL-TIME EQUIVALENT POSITIONS BY CATEGORY**

Position Category	FY 2000	Estimated		Increase/Decrease from FY 2001		
		FY 2001	FY 2002	Total Changes	Program Changes	Other Changes
Executive positions	3	3	3	0	0	0
Policy/Professional Staff	16	26	26	0	0	0
Administrative staff	29	34	34	0	0	0
<b>Subtotal</b>	<b>48</b>	<b>63</b>	<b>63</b>	<b>0</b>	<b>0</b>	<b>0</b>
Part-time & temporary positions, including Previously Exempt	4	3	3	0	0	0
<b>Total full-time equivalent positions</b>	<b>52</b>	<b>66</b>	<b>66</b>	<b>0</b>	<b>0</b>	<b>0</b>

**DETAIL OF FULL-TIME EQUIVALENT POSITIONS BY GRADE**

<b>Grade</b>	<b>FY 2000 Actual</b>	<b>FY 2001 Proposed Operating Level</b>	<b>FY 2002 Budget Estimate</b>
Executive Service Level 4.....	1	1	1
Senior Executive Service Level 2.....	2	2	2
<b>Subtotal.....</b>	<b>3</b>	<b>3</b>	<b>3</b>
GS-15.....	7	11	11
GS-14.....	12	13	13
GS-13.....	6	10	10
GS-12.....	8	7	7
GS-11.....	3	7	7
GS-10.....	0	0	0
GS-09.....	4	6	6
GS-08.....	0	0	0
GS-07.....	5	5	5
GS-06.....	1	1	1
GS-05.....	1	2	2
GS-04.....	1	2	2
GS-03.....	1	0	0
GS-02.....	0	0	0
GS-01.....	0	0	0
<b>Total Full-Time Equivalent Positions.....</b>	<b>52</b>	<b>66</b>	<b>66</b>

**EXPLANATION OF PROPOSED FY 2001 BUDGET OPERATING LEVEL**  
**(Dollars in Thousands)**

<b>All Sources and Uses of Funds By Budget Activity</b>	<b>FY 2001 Request</b>	<b>Congressional Action</b>	<b>FY 2001 Enacted</b>
<b>Source of Funds</b>			
Appropriation (CDFI)	\$ 125,000	\$ (7,000)	\$ 118,000
Rescission (Omnibus Appropriation, P.L. 106-554)		(260)	(260)
<b>Total Funds Available</b>	<b>\$ 125,000</b>	<b>\$ (7,260)</b>	<b>\$ 117,740</b>
<b>Use of Funds</b>			
<b>Budget Activity</b>			
1. Investments in CDFIs	\$ 70,517	\$ (4,845)	\$ 65,672
2. Capacity & Expertise of CDFIs and non-CDFIs	11,064	8,034	19,098
3. FSOs' Lending and Investment	42,750	(10,732)	32,018
4. New Markets Tax Credits 1/	0	952	952
5. Microenterprise Development 2/	669	(669)	0
<b>Total Use of Funds</b>	<b>\$ 125,000</b>	<b>\$ (7,260)</b>	<b>\$ 117,740</b>
<b>Source Minus Use of Funds (Carry Forward)</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>

NOTE: This table excludes \$110 thousand in carry over funds from the previous fiscal year.

1/ The CDFI Fund created this Budget Activity in conjunction with Congressional action in FY 2001.

2/ There was not an application round for this Budget Activity during FY 2000.

**EXPLANATION OF PROPOSED FY 2001 BUDGET OPERATING LEVEL**

The CDFI Fund's FY 2001 current operating plan reflects a net decrease of \$7.27 million from the FY 2001 budget request of \$125.0 million. The following represents an explanation of the net funding reduction by budget activity:

- -\$4.85 million in Investments to CDFIs. This funding reduction results in fewer than anticipated program awards and financial investments to CDFIs. Although the reduction in this budget activity reduces the CDFI Fund's ability to increase access to capital for certified CDFIs, the current level provides a means for continuing efforts to expand access and create more viable communities through financial investment opportunities;
- +\$8.03 million in Capacity & Expertise of CDFIs and non-CDFIs. This budget activity includes funding programs that are designed to provide training, financial and technical assistance awards to organizations seeking to establish and or expand their financial services capacities to either become certified CDFIs or become more viable participants in the country's financial industry. One tool is the Small and Emerging CDFI Assistance (SECA) Component of the CDFI Program, which is designed to provide both financial and technical assistance. The second tool is the Native American Training and Technical Assistance Program, which initiated out of Congressional action and is being designed to establish and/or expand the organizational capacities of entities in Native American, Native Hawaiian and Alaska Native communities to become more active in the country's financial industry and also become certified CDFIs;
- -\$10.73 million for Financial Service Organizations' Lending and Investment. This budget activity primarily supports the Bank Enterprise Award Program and related administrative costs. The funding reduction permits the CDFI Fund to issue funding awards in a manner that is consistent with historical funding award rounds, although the CDFI Fund consistently realizes and significant increases in program applications;
- +\$ .952 million for the New Markets Tax Credits Program. This is a budget activity, which began as a result of Congressional action during the FY 2001 Appropriation process. Funding associated with this activity primarily supports start-up costs to administer this program. Unlike other programs administered by the CDFI Fund, this one does not involve any program funds, as allocations are awarded in the form of tax credits. The CDFI Fund is authorized to provide \$1.0 billion in tax credits for the first award round, which ends on December 31, 2001. Legislative authority permits the CDFI Fund to award up to \$15 billion in tax credits over seven calendar years; and
- -\$ .669 million in Microenterprise Development. The CDFI Fund issued non-monetary awards to recognize microenterprise development organizations. Fiscal Year 1999 was the most recent application round for this budget activity, and the CDFI Fund coordinated with the White House for award presentations during FY 2000.

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**STANDARD CLASSIFICATION SCHEDULE: DIRECT OBLIGATIONS**

(Dollars in thousands)

All Sources and Uses of Funds By Direct Obligations	FY 2000 Actuals	FY 2001 Proposed Operating Level	FY 2002 Budget Estimate	Increases or Decreases for FY 2002
<b>Source of Funds</b>				
Appropriation (CDFI)	\$ 95,000	\$ 118,000	\$ 67,948	\$ (50,052)
APIC Funding transfer from HUD	20,000	0	0	0
Carry Over and Recoveries From Previous Year	9,041	110	0	(110)
Re-estimate	543	0	0	0
Rescission	0	(260)	0	260
<b>Total Funds Available</b>	<b>\$ 124,584</b>	<b>\$ 117,850</b>	<b>\$ 67,948</b>	<b>\$ (49,902)</b>
<b>Use of Funds</b>				
<b>Award Obligations</b>				
Grants	\$ 102,049	\$ 81,000	\$ 45,326	\$ (35,674)
Equity	3,330	2,677	1,513	(1,164)
Training and Technical Assistance	4,637	16,000	6,165	(9,835)
Direct Loan Subsidy	6,513	8,573	5,996	(2,577)
<b>Total Award Obligations</b>	<b>\$ 116,529</b>	<b>\$ 108,250</b>	<b>\$ 59,000</b>	<b>\$ (49,250)</b>
<b>Operating Obligations</b>				
Personnel Compensation	\$ 3,322	\$ 4,318	\$ 4,429	\$ 111
Personnel Benefits	829	1,079	1,107	28
Travel and Transportation of Persons	247	260	225	(35)
Transportation of Things	20	52	35	(17)
Rents, Communications and Utilities	1,091	1,186	1,201	(15)
Printing and Reproduction	146	321	217	(104)
Other Services	1,924	1,875	1,390	(485)
Supplies and Materials	81	207	140	(67)
Equipment	285	302	204	(98)
<b>Total Operating Obligations</b>	<b>\$ 7,945</b>	<b>\$ 9,600</b>	<b>\$ 8,948</b>	<b>\$ (672)</b>
<b>Total Use Of Funds</b>	<b>\$ 124,474</b>	<b>\$ 117,850</b>	<b>\$ 67,948</b>	<b>\$ (49,902)</b>
<b>Source Minus Use of Funds</b>	<b>\$ 110</b>			

CDFI-22

4/9/2001



DEPARTMENT OF THE TREASURY

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND

Credit Accounts:

Community Development Financial Institutions Fund Program Account

To carry out the Community Development Banking and Financial Institutions Act of 1994, including services authorized by 5 U.S.C. 3109, but at rates for individuals not to exceed the per diem rate equivalent to the rate for ES-3, [\$118,000,000] \$67,948,000 to remain available until September 30, [2001] 2002, of which [\$5,000,000] \$500,000 shall be for technical assistance and training programs designed to benefit Native American Communities, and up to [\$9,750,000] \$8,948,000 may be used for administrative expenses, up to [\$19,750,000] \$6,000,000 may be used for the cost of direct loans, and up to \$1,000,000 may be used for administrative expenses to carry out the direct loan program: Provided, That the cost of direct loans, including the cost of modifying such loans, shall be as defined in section 502 of the Congressional Budget Act of 1974: Provided further, That these funds are available to subsidize gross obligations for the principal amount of direct loans not to exceed [\$53,000,000] \$15,000,000. (Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies, Appropriations Act, 2001).

**Justification of Language Changes for FY 2001**

The CDFI Fund requested a total \$125.0 million. The amount enacted was \$118.0 million with a subsequent Congressional adjustment of \$260 thousand resulting in a level of \$117.7 million. The difference between the requested and enacted levels is \$7.260 million, which consists of the following:

- a \$7.0 million reduction for Congressional action from the FY 2001 requested level of \$125.0 million;
- a \$260 thousand reduction to support a government-wide reduction for the rescission, pursuant to P.L. 106-554; and
- an increase in cap for administrative expenses by \$1.0 million in order to accommodate increased responsibilities assigned to the Fund by the New Markets Tax Credit Program Initiative. This increase did not increase the overall enacted level and required an offset from the program account.

**COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND (CDFI)  
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## **SUMMARY JUSTIFICATION OF FY 2002 BUDGET REQUEST, ANNUAL PERFORMANCE PLANS AND REPORTS**

### **STRATEGIC CONTEXT FOR THE FY 2002 BUDGET/PERFORMANCE PLAN**

This document presents justification of the FY 2002 budget by demonstrating how funding enables achievement of the strategic plan goals of the Community Development Financial Institutions (CDFI) Fund, and how achievement of those goals is ascertained through performance goals, measures, and performance reports.

#### Mission

The mission of the Community Development Financial Institutions (CDFI) Fund is to promote access to capital and local economic growth by directly investing in and supporting community development financial institutions (CDFIs) and by expanding financial service organizations' lending, investment, and services within underserved markets.

#### Key Strategic Issues

The key strategic issue facing the CDFI Fund is increasing access to capital and financial services provided by financial institutions to economically distressed communities and underserved markets. Although this budget request reflects a significant reduction from the FY 2001 funding level, the CDFI Fund will continue to partner with entities in the financial industry to create jobs, develop affordable housing and revitalize communities in underserved markets. Additionally, through the New Markets Tax Credits Program, the CDFI Fund will expand business investment incentives through qualified community development entities (CDEs) serving low-income communities through economic revitalization activities.

#### Key Strategic Impacts

The CDFI Fund's strategic plan for Fiscal Years 2000 – 2005, as amended in FY 2001, provides a roadmap for cultivating and assisting the creation and expansion of the community development finance industry. The plan identifies three programmatic goals: (i) strengthen and expand the financial capacity of CDFIs; (ii) strengthen the organizational capacity and expertise of CDFIs to better serve their communities; and (iii) expand financial service organizations' community development lending and investments. With the advent of the New Markets Tax Credits Program, the Fund has identified a fourth goal: allocate tax credits to CDEs for the purpose of increasing business investment in low-income communities.

#### Community Development Financial Institutions Fund

In addition, during FY 2000 the Fund's goal relating to microenterprise development was inactive. Microenterprise awards were non-monetary and provided visibility and recognition to those organizations that demonstrated excellence and leadership in promoting microenterprise development. The FY 1999 application round represented the most recent microenterprise awards recognized.

**RELATIONSHIP BETWEEN THE STRATEGIC PLAN AND THE ANNUAL PERFORMANCE PLAN**

<b>Summary Linkage Table of Treasury Goals and Objectives to CDFI Fund Goals, Objectives and Performance Goals</b>		
<b>Department of the Treasury Strategic Goal/Objective</b>	<b>CDFI Fund Strategic Goals</b>	<b>Performance Goals Linked to Strategic Goal</b>
<u>Strategic Goal:</u> Promote Domestic Economic Growth  <u>Objective:</u> Promote fair and efficient delivery of credit and other financial services and help bring residents of distressed communities into the economic mainstream.	1. Strengthen and expand the financial capacity of CDFIs.	A. Increase participation in the Fund's CDFI Program to facilitate local economic growth.  B. Increase private sector investment in CDFIs.  C. Increase diversity of CDFI awardees.
	2. Strengthen the organizational capacity and expertise of CDFIs to better serve their markets.	A. Increase the capacity and expertise of CDFIs.
	3. Expand financial service organizations' community development lending and investments	A. Increase direct lending, investment, and services by depository institutions in distressed communities.  B. Increase depository institution support of CDFIs
	4. Strengthen and expand the financial capacity of community development entities.	A. Increase private sector investment in community development entities through the New Markets Tax Credits Program.
<u>Strategic Goal:</u> Improve Customer Satisfaction	5. Strengthen the organizational capacity and expertise of CDFIs to better serve their markets.	B. Increase customer satisfaction.
<u>Strategic Goal:</u> Improve Employee Satisfaction	6. Strengthen the organizational capacity and expertise of CDFIs to better serve their markets.	C. Increase employee satisfaction.

## **Performance Plans for FY 2002 and FY 2001 and Performance Report for FY 2000**

The operations of the CDFI Fund are divided into four major activities. For each of these activities, budget and performance data are presented in table format to show historical trends and performance expectations associated with the FY 2002 budget. Following the table are narratives explaining the FY 2002 proposed performance plan, FY 2001 final performance plan revised to reflect Congressional action, and the FY 2000 report on program performance.

### **Changes to FY 2002 and FY 2001 Budget Activities**

1. FY 2001 budget activities included “Microenterprise Development”. This activity related to the Fund’s microenterprise award program, which consisted of non-monetary awards to organizations that demonstrated excellence and leadership in promoting microenterprise development, and the program was inactive during FY 2000.
2. A new activity “The New Markets Tax Credits Program” was added for FY 2001. The intent of this program is to allocate tax credits to community development entities (CDEs), which will in turn provide tax credits to investors. To support this new activity, the Fund has developed an administrative plan for this program totaling \$952 thousand for FY 2001.

### **BUDGET ACTIVITY 1: INVESTMENTS IN CDFIs**

This budget activity uses limited Federal resources to invest in and build the capacity of private, for-profit and non-profit community-based financial institutions to address community development finance needs. The Fund makes financial investments in community development financial institutions (CDFIs), in the form of equity investments, loans, capital grants, deposits and share purchases. The form of financial assistance depends on the individual needs of a CDFI as reflected in its business plan and its ability to raise private matching funds comparable in form and value to the Fund’s assistance.

CDFI Fund Performance Measures	FY 1998 Performance	FY 1999 Performance	FY 2000		FY 2001 Final Target	FY 2002 Proposed Target
			Target	Performance		
<b>Budget Authority (\$000s)</b>	\$44,386	\$74,864	\$61,463	\$70,437	\$65,782	\$39,869
<b>Direct FTE (based on percentage of staff time)</b>	N/A	22	24	24	26	26
<b>Performance Goal A:</b> Increase participation in the Fund's CDFI Program to facilitate local economic growth.						
<b>Performance Measures:</b>						
1. Number of certified CDFIs as of year-end.	262	334	N/A	415	450	500
<b>Performance Goal B:</b> Increase private sector investment in CDFIs.						
<b>Performance Measures:</b>						
1. Number of CDFIs receiving financial assistance awards.	42	60	63	77	58	41
2. Non-Federal matching funds raised by CDFIs during the year (\$ millions).	N/A	N/A	\$55	\$52	\$55	\$60
<b>Performance Goal C:</b> Increase diversity of CDFI awardees.						
<b>Performance Measure:</b>						
1. Number of states/territories (and District of Columbia) to date with at least one CDFI program awardee.	44	49	51	52	53	53



<b>Workload and other Non-Performance Statistics</b>						
<b>CDFI Fund Performance Statistics</b>	<b>FY 1998 Actual Workload</b>	<b>FY 1999 Actual Workload</b>	<b>FY 2000</b>		<b>FY 2001 Expected Workload</b>	<b>FY 2002 Expected Workload</b>
			<b>Expected Workload</b>	<b>Actual Workload</b>		
1. Number of CDFI Program applications (Core, Intermediary, and SECA –financial assistance only).	N/A	N/A	N/A	167	150	150
2. Dollar amount of CDFI Program applications (Core, Intermediary, and SECA –financial assistance only). (\$ millions)	N/A	N/A	N/A	\$246	\$223	\$265
3. Number of workshops conducted to apprise Core and Intermediary applicants of program requirements. * - includes one distance-learning broadcast reaching 80+ sites in 50 states.	13	19	N/A	12*	12*	12*

### **FY 2002 Proposed Performance Plan**

#### Description:

The FY 2002 request is \$39.9 million. This represents a decrease of \$26.9 from the \$65.8 million enacted for FY 2001. While funding for this activity is below the FY 2001 level, the Fund still anticipates an increase in the number of Core and Intermediary applications. Outreach efforts during FY 2001 and FY 2002 are expected to remain fairly constant, which should result in a small increase in the number of applications. In addition, during FY 2001 the Fund began implementation of a new component in the CDFI Program – the Small and Emerging CDFI Assistance (SECA) Component. This component is intended to provide both technical and financial assistance grants to “small and emerging” CDFIs - those institutions that would have more difficulty in obtaining a financial assistance award under the Fund’s Core and Intermediary Components. Accordingly, the same level of effort required in prior years – intake and internal review of applications, readers meetings, site visits and a panel review – and approximately the same level of administrative cost – will still be required during FY 2002.

Administrative costs allocated to this budget activity are expected to decrease slightly for FY 2002 due to a sharing of administrative costs (such as information technology costs) with the new budget category relating to the New Markets Tax Credits Program. Total FTEs for FY 2002 for this budget activity are to be constant with the FY 2001 level (26).

In addition, emphasis will be placed on continuing to develop the Fund’s “electronic handbooks” initiative, which is designed to enable applicants to apply for Fund awards on-line. This initiative will also produce handbooks to address how to apply for Fund awards.

## **FY 2001 Final Performance Plan**

The Fund will continue its mission of promoting access to capital and economic growth by supporting CDFIs. The Fund will conduct two competitive rounds (Core and Intermediary Components) in addition to the SECA Component round. In preparation for these rounds the Fund will hold informational sessions within one month after the NOFAs are published. The Fund estimates that it will fund between 50 and 70 Core and Intermediary awards, and an additional 50 SECA financial assistance awards.

The Fund seeks to have at least one certified CDFI in all 50 states, 2 territories and the District of Columbia. The total number of certified CDFIs should be approximately 450 by the end of FY 2001.

The Fund is continuing its efforts on the Native American Lending Study. This study is examining lending and investment practices on Indian reservations and other land held in trust by the United States. The study will, among other things, identify barriers to private financing on the aforementioned lands and identify the impact of such barriers on Native American populations. In addition, the study will consider statutory and regulatory changes to existing Federal programs and policy changes in an effort to increase access to capital for Native Americans. The final report of the study will be provided to the President and Congress during FY 2001. Funding for the Native American Training and Technical Assistance Component of the CDFI Program, in the amount of \$5 million, has been received for FY 2001. Activities relating to this component are included in budget activity number 2 below.

### **Description of Adjustments Related to Congressional Action:**

The Fund's proposed performance targets for 2001 were based on a request of \$125 million. Appropriations for 2001 were \$118 million, and two of the proposed targets have been correspondingly adjusted to reflect resource levels. The target for the increase in the number of CDFIs selected to receive financial assistance is 58, adjusted from 65 in the proposed plan. Also, the amount of non-Federal matching funds raised by CDFIs during the year was \$60 million in the proposed plan and is adjusted to \$55 million.

## **BUDGET ACTIVITY 2: CAPACITY AND EXPERTISE OF CDFIs**

This budget activity covers the Fund's activities relating to its training program, the Technical Assistance Component of the CDFI Program (which in FY 2001 was replaced by the new Small and Emerging CDFI Assistance Component of the CDFI Program, as explained below) and training activities and technical assistance grants relating to the new SECA Component, and the new Native American Training and Technical Assistance Component. Training and technical assistance are designed to enhance the capacity of CDFIs and other members of the financial services industry to undertake community development and economic revitalization activities.

Through the Technical Assistance Component of the CDFI Program, begun in FY 1998, the Fund has provided grants to CDFIs and organizations that propose to become CDFIs, have organizational capacity needs, and demonstrate significant potential for generating community development impact.

Through the Training Program, begun in FY 1999, the Fund uses contractor support to conduct a training needs assessment for CDFIs and other members of the financial services industry. Based on the needs assessment, the Fund develops training services that will focus on training in organizational development, lending and investment products, underwriting and servicing loans, managing equity investments, and providing development services targeted to areas of economic distress, low-income persons and persons who lack adequate access to loans and equity investments.

Two new programs implemented in FY 2001 are:

- Under the SECA Component of the CDFI Program, the Fund provides technical assistance and financial assistance awards to small and emerging CDFIs. Small and emerging CDFIs are organizations with total assets of not more than \$5 million, which have never received a financial assistance award from the Fund. The intent of this program is to develop the capacity of smaller organizations by enabling them to obtain funding from the Fund without competing with larger organizations under the Fund's Core Component.
- The Native American Training and TA Component of the CDFI Program is designed to increase access to capital in Native American, Alaskan Native and Native Hawaiian communities and other lands held in trust by the Federal government. It is intended to help Tribes, lenders and Native organizations to create more CDFIs in Native communities and build capacity for them to provide financial services to their communities.

Community Development Financial Institutions Fund

CDFI Fund Performance Measures	FY 1998 Performance	FY 1999 Performance	FY 2000		FY 2001 Final Target	FY 2002 Proposed Target
			Target	Performance		
<b>Budget Authority (\$000s)</b>	3,907	\$11,038	\$11,985	\$7,539	\$19,098	\$8,538
<b>Direct FTE (based on percentage of staff time)</b>	N/A	7	7	17	17	17
<b>Performance Goal A:</b> Increase the capacity and expertise of CDFIs. <b>Performance Measures:</b>						
1. Number of organizations that received technical assistance awards during the year *	70	88	80	87	80	40
2. Amount of technical assistance grants awarded during the year* (\$ millions)	\$3	\$4	N/A	\$4	\$10	\$5
3. Number of first-time awardees under the Technical Assistance and Small and Emerging CDFI Assistance Components.	N/A	N/A	N/A	49	40	20
* - includes T/A awards under the Core Component, and awards under the Technical Assistance Component prior to FY 2001, and the SECA component subsequent to FY 2000.						
<b>Performance Goal B:</b> Increase customer satisfaction <b>Performance Measures:</b>						
1. Customer Satisfaction Measure	N/A	N/A	N/A	N/A	N/A	TBD (Determine Baseline)
<b>Performance Goal C:</b> Increase employee satisfaction <b>Performance Measure:</b>						
1. Employee Satisfaction Measure.	N/A	N/A	N/A	N/A	N/A	TBD (Determine Baseline)

<b>Workload and other Non-Performance Statistics</b>						
<b>CDFI Fund Performance Statistics</b>	<b>FY 1998 Actual Workload</b>	<b>FY 1999 Actual Workload</b>	<b>FY 2000</b>		<b>FY 2001 Expected Workload</b>	<b>FY 2002 Expected Workload</b>
			<b>Expected Workload</b>	<b>Actual Workload</b>		
1. Number of workshops conducted to apprise potential applicants of SECA and TA requirements.	N/A	N/A	N/A	6	13	10
2. Number of organizations that receive training in industry fundamentals by CDFI Fund training vendors.	N/A	N/A	N/A	N/A	100	80
3. Number of tribal, Alaska Native, and Native Hawaiian organizations receiving training which addresses barriers identified by the Native American Lending Study.	N/A	N/A	N/A	N/A	10	20
4. Number of tribal, Alaska Native, and Native Hawaiian organizations receiving TA awards.	N/A	N/A	N/A	N/A	0	20

\*amounts for FY 1998 through FY 2000 relate to the Fund's TA grants (prior to the SECA Component)

### **FY 2002 Proposed Performance Plan**

The FY 2002 request is \$8.5 million, \$10.6 million below the FY 2001 level. This decrease is comprised of a \$4.9 million decrease in the SECA Component, a \$5.2 million decrease in the Native American Training and Technical Assistance (NATTA) Component, and a \$400 thousand decrease in technical assistance grants under the Core Component. Administrative costs decrease by \$48 thousand. The decrease in these components will result in a corresponding decrease in the amount of awards provided to SECA and NATTA applicants. As is explained below, the FTE level for implementing the programs within this budget activity will remain the same at 17.

During FY 2001, the Fund began implementation of a new component within the CDFI Program – the Small and Emerging CDFI Assistance (SECA) Component. This component is intended to provide technical and financial assistance grants to small and emerging community development financial institutions – those institutions that would have more difficulty in obtaining a financial assistance award under the Fund's Core and Intermediary Components. Applicants selected for SECA awards represent the smaller CDFIs and organizations in the process of becoming CDFIs. The communities served by these small and emerging CDFIs are often the most economically distressed and the most in need of access to financial services.

Activity relating to SECA financial assistance grants is included in budget activity 1; activity relating to SECA technical assistance grants falls within this budget activity. Approximately the same number of applications for SECA technical assistance grants is expected for FY 2002 as under the TA Component in the prior year. Accordingly, the same level of effort required in prior years – intake and internal review of applications, readers meetings, site visits and a panel review – and approximately the same level of administrative costs – will still be required during FY 2002. However, the number and dollar amount of approved awards will be reduced from FY 2001.

The Native American Training and Technical Assistance (NATTA) Component was initiated during FY 2001. Activity relating to NATTA during FY 2001 consists of providing training to organizations within Native American, Alaska Native and Native Hawaiian communities interested in becoming certified CDFIs. FY 2002 activity will consist of additional training and technical assistance grants to increase the number of CDFIs serving these communities and to improve their capacity. FY 2002 anticipated performance reflects an increase in the number of CDFIs serving these communities, and in the number of organizations receiving training.

Total FTEs for FY 2002 for this budget activity are consistent with the FY 2001 level (17).

### **FY 2001 Final Performance Plan**

As stated above, during FY 2001, the Fund initiated two new programs: the SECA Component, and the Native American Training and Technical Assistance Component (both part of the CDFI Program).

Technical assistance grants within the SECA Component will replace the former Technical Assistance Component of the CDFI Program. The most significant change relates to the nature of the organizations for which this new component was designed: the smaller and emerging CDFIs with a relatively small amount of assets and which have not previously received a financial assistance award from the Fund. However, the number of applications for technical assistance grants during FY 2001 should remain constant or increase due to the increased amount of FY 2001 funding available for this component. The above performance measures reflect this.

Implementation of the Native American Training and Technical Assistance Component was begun during FY 2001. FY 2001 activities consist primarily of entering into contracts to provide training to organizations within Native American, Alaska Native and Native Hawaiian communities that are either CDFIs, or are interested in becoming CDFIs.

### **Description of Adjustments Related to Congressional Action:**

The Fund's proposed performance targets for 2001 were based on a request of \$125 million. Appropriations for 2001 were \$118 million, and one of the proposed targets has been correspondingly adjusted to reflect resource levels. The target for the increase in the number of organizations that receive training or technical assistance over the previous fiscal year is 80, adjusted from 85 in the proposed plan.

**BUDGET ACTIVITY 3: FINANCIAL SERVICE ORGANIZATIONS' LENDING AND INVESTMENT**

This budget activity relates to the Bank Enterprise Award (BEA) Program, which provides financial incentives for insured depository institutions to increase their investments in CDFIs and to increase their lending and provision of financial services in distressed communities.

CDFI Fund Performance Measures	FY 1998 Performance	FY 1999 Performance	FY 2000		FY 2001 Final Target	FY 2002 Proposed Target
			Target	Performance		
<b>Budget Authority (\$000s)</b>	\$28,387	\$34,155	\$32,101	\$46,498	\$32,018	\$18,267
<b>Direct FTE (based on percentage of staff time)</b>	N/A	13	13	11	14	14
<b>Performance Goal A:</b> Increase direct lending, investment and services by depository institutions in distressed communities.						
<b>Performance Measure:</b>						
1. Increase in dollar amount of community development loans, investments and services in distressed communities by BEA applicants that submitted a final report (assessment period over baseline period) (\$ millions)	N/A	N/A	N/A	\$166	\$100	\$100
<b>Performance Goal B:</b> Increase depository support of CDFIs.						
<b>Performance Measures:</b>						
1. Amount of financial assistance provided to CDFIs by BEA applicants that submitted a final report (\$ millions)	N/A	N/A	N/A	\$244	\$275	\$200
2. Number of CDFIs receiving financial assistance by BEA applicants that submitted a final report.	N/A	N/A	N/A	165	185	150
3. Number of BEA applicants that submitted a final report that provided financial assistance to CDFIs	N/A	N/A	N/A	130	164	125

Workload and other Non-Performance Statistics						
Note: Diversity of financial service organizations participating in the BEA Program is shown in the Supporting Materials section of this plan.	FY 1998 Actual Workload	FY 1999 Actual Workload	FY 2000		FY 2001 Expected Workload	FY 2002 Expected Workload
			Expected Workload	Actual Workload		
1. Number of BEA applications.	104	138	N/A	229	239	200
2. Amount of BEA applications (\$ millions)	NA	N/A	N/A	\$110	\$130	\$100
3. Number of BEA awards.	79	103	N/A	159	164	130
4. Amount of BEA awards (\$ millions)	\$28	\$32	N/A	\$44.8	\$30	\$16.5

### **FY 2002 Proposed Performance Plan**

The FY 2002 request of \$ 18.3 million is \$13.8 million below the FY 2001 enacted level. However, the Fund still anticipates only a slight decrease in the number of BEA applications. The most significant change from prior year performance will be that the number and dollar amount of approved awards will be reduced due to the approved level of funding. This will also result in a reduction in the amount of investments made by BEA awardees.

Administrative costs allocated to this budget activity are expected to decrease slightly for FY 2002 due to a sharing of administrative costs (such as information technology costs) with the relatively new budget category relating to the New Markets Tax Credits Program and due to an increase in productivity. Total FTEs for FY 2002 for this budget activity are to be constant with the FY 2001 level (14).

### **FY 2001 Final Performance Plan**

The focus for FY 2001 is to promote broad awareness through outreach, publicity, and to promote linkages (partnerships) between CDFIs, reinvestment organizations, and financial service organizations. The Fund anticipates an increase in the number of applications, and in the amounts requested. The BEA Program provides incentives to insured depository institutions (banks and thrifts) to increase their investments in CDFIs and to increase their lending and financial services in distressed communities. Awards are determined based on the value of the increased activity within an evaluation period.

BEA Program awards are given only after activities have been implemented successfully to ensure that only completed activities are recognized and that the Fund's limited dollars are effectively leveraged with private capital. Awards range between 5% and 15% of the value of the increase in investment activity or other eligible activity undertaken by the applicant.



## BUDGET ACTIVITY 4: NEW MARKETS TAX CREDITS

This budget activity relates to a new program called the New Markets Tax Credits Program. The Community Renewal Act of 2000 authorized this program and the Miscellaneous Appropriations Act of 2001 increased CDFI's limitation on administration so that the Fund could administer the program. Because this program initiated as a result of Congressional action during the FY 2001 budget process, the Fund created a separate budget activity to facilitate accurate implementation and reporting activities. Under this program, the Fund will allocate tax credits to qualified community development entities (CDEs), which allocate the tax credits to investors; the proceeds of such investments must be used by the CDE to make qualified low-income community investments. The allocation of tax credits is to be provided by the Fund to CDEs by December 31<sup>st</sup> of each year.

A CDE can be any domestic corporation or partnership with the following characteristics: 1) its primary mission is to serve or provide investment capital for low-income communities or low-income persons; 2) it maintains accountability to residents of low-income communities through community representation on a governing board; and 3) it is certified by the Fund as a CDE.

The intent of this program is to encourage investment in the CDEs, thereby increasing the amount of investments that CDEs make in low-income communities.

CDFI Fund Performance Measures	FY 1998 Performance	FY 1999 Performance	FY 2000		FY 2001 Final Target	FY 2002 Proposed Target
			Target	Performance		
<b>Budget Authority (\$000s)</b>	N/A	N/A	N/A	N/A	\$952	\$1,274
<b>Direct FTE (based on percentage of staff time)</b>	N/A	N/A	N/A	N/A	9	9
<b>Performance Goal:</b> Increase private sector investment in community development entities. <b>Performance Measures:</b>						
1. Dollar amount of private sector investments in CDEs resulting from NMTC Program.	N/A	N/A	N/A	N/A	Baseline	To Be Determined

<b>Workload and other Non-Performance Statistics</b>						
	<b>FY 1998 Actual Workload</b>	<b>FY 1999 Actual Workload</b>	<b>FY 2000</b>		<b>FY 2001 Expected Workload</b>	<b>FY 2002 Expected Workload</b>
			<b>Expected Workload</b>	<b>Actual Workload</b>		
1. Number of applicants under the NMTC Program.	N/A	N/A	N/A	N/A	Baseline	To Be Determined
2. Number of awardees under the NMTC Program.	N/A	N/A	N/A	N/A	Baseline	To Be Determined
3. Number of tax credit allocations	N/A	N/A	N/A	N/A	Baseline	To Be Determined
4. Amount of tax credit allocations (\$ millions)	N/A	N/A	N/A	N/A	Baseline	To Be Determined

### **FY 2002 Proposed Performance Plan and FY 2001 Final Performance Plan**

The FY 2002 request is \$1.3 million. This represents an increase of \$300 thousand over the FY 2001 funding level. This program was established in FY 2001 and the funding level for that year did not reflect a full year of costs for recurring costs such as salaries and rent, as is reflected in the FY 2002 funding level.

Due to the fact that this program is new and unique to the Fund, we cannot provide estimated performance information at this time. As the program continues to be developed and implemented during FY 2001 and FY 2002, sufficient information will be collected to enable the Fund to estimate performance for future periods. In addition, the estimated amount of the allocation of tax credits for calendar year 2001 was not finalized as of the time the budget justification was prepared. Accordingly, the Fund has not provided performance information for FY 2002 and FY 2001 in the chart above.

<b>SUPPORTING MATERIALS</b>
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<b>Diversity of Financial Service Organizations Participating in the BEA Program</b>					
	<b>FY 1998 Actual</b>	<b>FY 1999 Actual</b>	<b>FY 2000 Actual</b>	<b>FY 2001 Expected</b>	<b>FY 2002 Expected</b>
1. Percentage of BEA awardees, by asset size:					
Less than \$250 million	27%	37%	43%	45%	45%
\$20million - \$1 billion	15%	17%	16%	15%	15%
\$1 billion - \$20 billion	35%	30%	26%	25%	25%
Over \$20 billion	23%	16%	15%	15%	15%
2. Percentage of BEA awardees, by type of institution.					
State Banks		61%	47%		
National Banks	N/A	30%	37%	N/A	N/A
Federal Thrifts		9%	16%		
Other		0%	0%		

<b>Verification and Validation of Data and Definitions of Performance Measures and Other Terms</b>
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For each performance measure, definition as well as verification and validation information is provided below. Based on the verification and validation information, each measure's data is rated as having either "Reasonable Accuracy" (judged to be sufficiently accurate for program management and performance reporting purposes) or as "Questionable or Unknown Accuracy." In the case of measures where statistical confidence intervals are available, these are provided instead of the rating statements above.

<b>Budget Activity 1. Investments in CDFIs</b>
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- **Performance Measure IA1. Number of certified CDFIs as of year-end.**

**Definition** — This measures the number of certified community development financial institutions (CDFIs) at year-end.

**Verification and Validation of Data Quality** — The Fund maintains a database of CDFIs, which includes the status of all organizations, which have applied for certification as CDFIs. It is updated based on requests for certification provided by CDFIs. Information from the database is entered into the database based on approved applications. The database information is reviewed for accuracy by comparing it to the applications by a different group of personnel. **Data Accuracy:** Reasonable Accuracy.

- **Performance Measure IB1. Number of CDFIs receiving financial assistance awards from the Fund during the year.**

**Definition** — Measures the number of CDFIs which actually received an award during the year under the Core, Intermediary, and SECA – financial assistance component.

**Verification and Validation of Data Quality** – The Fund's awards database is updated from the applications, based the Office of Awards Management. A different group of people compare each field in the database with the applications to ensure accuracy. When awards are made, the Office of Awards Management will enter the amount of the award. The Office of Financial Management then corroborates this information when they sign off on the Notice of Award. This information is an essential part of the Fund's accounting records, and is subjected to audit each year as part of the financial statement audit. There have been few instances where the auditors have advised us of incorrect information. **Data Accuracy:** Reasonable Accuracy.

- **Performance Measure IB2. Amount of non-Federal matching funds raised by CDFIs during the year, excluding amounts relating to the New Markets Tax Credits Program).**

**Definition** — The Fund requires that grantees obtain matching funds in form and value similar to those provided by the Fund. The intent is to leverage the funds provided. This relates to disbursements made by the Fund during the year – if the Fund disburses \$X to an awardee in any given year, than that awardee must have received \$X in matching funds prior to the disbursement. Generally, the amount of matching funds for this performance measure will equal the amount disbursed.

**Verification and Validation of Data Quality** – we require supporting documentation from the awardees regarding matching funds being received prior to making a disbursement to the awardee. The specific supporting documentation received depends on the type of matching funds.  
**Data Accuracy:** Reasonable Accuracy

- **Performance Measure IC1. Number of states/territories to date with at least one CDFI Program awardee**

**Definition** – In order to maximize the reach of the Funds programs, one of its goals is to have at least one CDFI in every state and territory. This measures the number of US states and territories that have at least one CDFI awardee (it is a cumulative number, from inception of the Fund).

**Verification and Validation of Data Quality** – We review each CDFIs organization documents prior to certifying the CDFI and updating the CDFI database. These documents include the state of organization and location. The Office of Awards Management periodically reviews the CDFI database for accuracy. **Data Accuracy:** Reasonable Accuracy.

<b>Budget Activity 2. Capacity and expertise of CDFIs</b>
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- **Performance Measure IIA1. Number of organizations that received technical assistance awards under the SECA Component.**

**Definition** — To strengthen the organizational capacity and expertise of CDFIs to better serve their markets, the Fund will measure the number of organizations that receive technical assistance during the year.

**Verification and Validation of Data Quality** — The Fund’s awards database is updated from the applications, based the Office of Awards Management. A different group of people compare each field in the database with the applications to ensure accuracy. When awards are made, the Office of Awards Management will enter the amount of the award. The Office of Financial Management then corroborates this information when they sign off on the Notice of Award. This information is an essential part of the Fund’s accounting records, and is subjected to audit each

year as part of the financial statement audit. There have been few instances where the auditors have advised us of incorrect information. **Data Accuracy:** Reasonable Accuracy.

- **Performance Measure IIA2. Dollar amount of technical assistance awards provided under the SECA Component.**

**Definition** — To strengthen the organizational capacity and expertise of CDFIs to better serve their markets, the Fund will measure the dollar amount that organizations receive in technical assistance during the year.

**Verification and Validation of Data Quality** — The Fund's awards database is updated from the applications, based the Office of Awards Management. A different group of people compare each field in the database with the applications to ensure accuracy. When awards are made, the Office of Awards Management will enter the amount of the award. The Office of Financial Management then corroborates this information when they sign off on the Notice of Award. This information is an essential part of the Fund's accounting records, and is subjected to audit each year as part of the financial statement audit. There have been few instances where the auditors have advised us of incorrect information. **Data Accuracy:** Reasonable Accuracy.

- **Performance Measure IIA3. Number of first time awardees under the SECA Component.**

**Definition** — The intent of the SECA Component is to provide funding to the smaller CDFIs. This measures the number of awardees, which have not previously received a financial assistance award from the fund, and is an indicator of the number of newer CDFIs receiving awards.

**Verification and Validation of Data Quality** —The Fund maintains a database of CDFIs and of awardees. This measure validated by comparing new SECA awardees to the CDFI database of awardees. This comparison is done electronically. **Data Accuracy:** Reasonable Accuracy.

- **Performance Measure IIB1 – Customer Satisfaction Measure**

**Definition** —this measure has not yet been determined.

**Verification and Validation of Data Quality** — the process for verifying and validating this measure will be determined once the measure has been identified. **Data Accuracy:** To be determined.

- **Performance Measure IIC1 – Employee Satisfaction Measure**

**Definition** — to be determined.

**Verification and Validation of Data Quality** — the process for verifying and validating this measure will be determined once the measure has been identified. **Data Accuracy:** to be determined.

<b>Budget Activity 3. Financial Service Organizations' Community Development Lending and Investment</b>
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- **Performance Measure IIIA1. Increase in dollar amount of community development loans, investments and services) in distressed communities by BEA applicants that submitted a final report (assessment period over baseline period) (\$ millions).**

**Definition** – The BEA Program provides financial incentives for financial institutions to increase the amount of investment in distressed communities. This increase is measured by the increase in the amount of investment during an assessment period, over a baseline period. Each applicant is to provide a final report showing this information. This measure is based on information provided by applicants, and not awardees, since awards under this program are intended to serve as an incentive for an increase in investments.

**Verification and Validation of Data Quality** - — This information comes from the final reports provided by BEA applicants. Until this information is entered into the Fund's database, this information will need to be obtained from each applicant's final report. This information is not currently verified or validated. **Data Accuracy:** Questionable or Unknown Accuracy.

- **Performance Measure IIIB1. Amount of financial assistance provided to CDFIs by BEA applicants that submitted a final report (\$ millions)**

**Definition** – The BEA Program provides financial incentives for financial institutions to invest in other CDFIs. This measure shows the amounts invested by financial institutions in CDFIs. This measure is based on information provided by applicants, and not awardees, since awards under this program are intended to serve as an incentive for an increase in these investments.

**Verification and Validation of Data Quality** — This information comes from the final reports provided by BEA applicants. Until this information is entered into the Fund's database, this information will need to be obtained from each applicant's final report. This information is not currently verified or validated. **Data Accuracy:** Questionable or Unknown Accuracy.

- **Performance Measure IIIB2. Number of CDFIs receiving financial assistance by BEA applicants that submitted a final report.**

**Definition** – This measure shows the number of CDFIs receiving financial assistance from BEA applicants that submitted a final report. As stated above, this measure is based on information provided by applicants since awards under this program are intended to serve as an incentive for an increase in these investments.

**Verification and Validation of Data Quality** — This information comes from the final reports provided by BEA applicants. Until this information is entered into the Fund’s database, this information will need to be obtained from each final applicants final report This information is not currently verified or validated. **Data Accuracy:** Questionable or Unknown Accuracy.

<b>Budget Activity 4. New Markets Tax Credits (NMTC)</b>
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- **Performance Measure IVA1. Dollar amount of private sector investment in CDEs resulting from NMTC Program.**

**Definition** – This measures the level of investment in CDEs, which is one of the main objectives of the NMTC Program (to increase this investment).

**Verification and Validation of Data Quality** - — This information will come from one of two different sources: information provided by applications for NMTCs, or it will be computed based on the amount of tax credits allocated. **Data Accuracy:** Questionable or Unknown Accuracy